

Person to Contact: [REDACTED]

Telephone Number: [REDACTED]

Refer Reply to: [REDACTED]

Date: JUN 25 1964

Dear Applicant:

This letter is to inform you of the result of our request for technical advice regarding your qualification for exemption from taxes under Section 501(c)(3) of the Code. You also requested advanced approval of your grant-making procedures under Section 4945(g) of the Internal Revenue Code.

The National Office has denied your request for exemption under 501(c)(3) of the Code and has disapproved your grant-making procedures under Section 4945(g) of the Code. Please find a copy of the technical advice attached to this correspondence.

Since our determination was made at the National Office level of the Internal Revenue Service no other administrative appeal procedures are available to you.

You are responsible for filing Form 1120, if applicable, for all open years of your existence.

If you have any questions, please call the person whose name and number appears above.

Sincerely yours,

[REDACTED]
District Director

INTERNAL REVENUE SERVICE

NATIONAL OFFICE TECHNICAL ADVICE MEMORANDUM

District Director
[REDACTED]

Taxpayer's Name: [REDACTED]

Taxpayer's Address: [REDACTED]

Taxpayer's Identification Number: [REDACTED]

Date of Conference:

No Conference Held

Issue:

Whether an organization established to make educational and research grants, including grants to individuals, related by bloodline to a particular family for post secondary education, qualifies for exemption under section 501(c)(3) of the Code.

Facts:

The organization's Articles of Incorporation state that it was incorporated to make distributions to other organizations that qualify for exemption under section 501(c)(3) of the Code. The submitted information establishes that its activities are to (1) make grants to individuals related by bloodline to the [REDACTED] family for study after graduation from high school; (2) to make research grants to enable individuals to study the history of the family, which will enable the organization to identify individuals eligible for the study grants; and (3) to make grants to other 501(c)(3) organizations involved in [REDACTED] studies.

It is estimated that the total number of individuals eligible for study grants exceeds 500. Study grants are awarded based on the scholastic standing and financial need of the applicants. Spouses, ancestors or lineal descendants of a substantial contributor or another disqualified person are not eligible to participate in the program.

Law:

Section 501(c)(3) of the Code provides for the exemption from Federal income tax of organizations organized and operated exclusively for charitable or educational purposes.

Section 1.501(c)(3)-1(d)(1)(ii) of the regulations provides that an organization is not organized or operated exclusively for exempt purposes unless it serves a public rather than a private interest.

Section 1.501(c)(3)-1(d)(3) of the regulations defines the term educational as including the instruction or training of the individual for the purpose of improving or developing his capabilities or the instruction of the public on subjects useful to the individual and beneficial to the community.

Rev. Rul. 69-257, 1969-1 C.B. 151 indicates that scholarship grants made to individuals on the basis of either need or scholastic ability may qualify for exemption under section 501(c)(3) of the Code.

Rev. Rul. 80-301, 1980-2 C.B. 180 holds that a genealogical society that opens its membership to all persons in a particular area, provides instruction in genealogical research techniques but does not research genealogies for its members, conducts research projects and makes the results available to the state historical societies, provides materials for libraries and community displays, and promotes various other related activities for the public qualifies for exemption under section 501(c)(3).

Rev. Rul. 80-302, 1980-2 C.B. 182 holds that an organization that limits its membership to descendants of a particular family, compiles family genealogical research data for use by its members for reasons other than to conform to the religious precepts of the family's denomination, presents the data to designated libraries, publishes volumes of family history, and promotes social activities among family members does not qualify for exemption under section 501(c)(3).

Better Business Bureau v. United States, 326 U.S. 279 (1945) holds that the presence of a single non-exempt purpose, if substantial in nature, will destroy exemption regardless of the number of truly exempt purposes.

Rationale:

The submitted information establishes that more than an insubstantial portion of the organization's activities is to make grants to individuals to continue their education. The class of individuals eligible to receive such scholarship grants is limited to individuals directly related by bloodline to a certain family. Another aspect of the organization's program is genealogical research regarding this family. The organization specifically stated that the purpose of this research is to identify those individuals who are eligible to apply for the scholarship grants it is to offer. Accordingly, it is clear that more than an insubstantial portion of the organization's activities are directly involved in granting scholarships to the members of a limited class of individuals.

It has generally been recognized that awarding scholarships to enable individuals to continue education is a charitable purpose. See Rev. Rul. 69-257. However, it is also clear that where a charitable program works in part for the private benefit of an individual or a limited class

[REDACTED]

of individuals, the organization may not qualify for recognition of exemption. See section 1.501(c)(3)-1(d)(1)(ii) of the regulations. Following this line of reasoning the Service has held that although an organization involved in genealogical studies may qualify for exemption under section 501(c)(3), where its activities are limited to investigating the history of a particular family, the organization might not qualify for exemption. Compare Rev. Rul. 80-301 and 80-302.

Similarly, in this instance we have concluded that because the applicant shall only be granting scholarships to individuals who are related to a certain family it is serving the private interests of this family. Accordingly, it does not qualify for exemption under section 501(c)(3) of the Code because it is carrying on a substantial non-exempt purpose. Better Business Bureau v. United States.

Conclusion:

An organization making grants to individuals related by bloodline to a particular family for study after graduation from high school, does not qualify for recognition of exemption under section 501(c)(3) of the Code.

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